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Measurement of Customer Satisfaction & Performance Measurement within a Local Government Framework

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Abstract

The aim of the paper is to establish a performance measurement framework for addressing and improving customer satisfaction levels within a public sector service. The paper describes the methods utilised in order to achieve these objectives by reviewing relevant literature associated with organisational performance and customer satisfaction. This informs and provide the framework for the research. A useful framework model was produced that facilitates the application of customer satisfaction measurement and enables performance in this respect to be monitored.

Background

Performance Measures and Objectives

Performance measurement review attained a high profile in the 1980s. The primary reasons for this being:

- Pressure from Central Government and the Audit Commission
- Greater public expectation and consumerism (Ghobadian & Ashworth, 1994)

The public increasingly expects its services to demonstrate accountability in order to justify the efficient use of public funds. This can be demonstrated by the production of performance methodologies (Bolton, 2003). However, Amaratunga et al. (2001) emphasise the importance of treating performance measures with caution, by not just celebrating successes of service delivery, but by determining the causality of bad service delivery through poor performance. It is essential that these performance objectives, priorities and expectations can be clearly articulated not just for internal use, but to external customers and stakeholders in order to present a better understanding of how performance is achieved and to evaluate future requirements for improvement.

Hill et al. (1999) recommend that in order to identify things that are important to customers and to measure the degree by which they are satisfied, it is useful to make an internal assessment. This should pinpoint areas of weakness within the organisation that are causing resistance to the performance and creating a shortfall in customer perception. vision statement should be recognised as a tangible method for providing a performance measurement tool for both incentivising staff satisfaction and to articulate the right message to customers that will ultimately improve the overall perceptions of 'the service'.

Stakeholder Analysis

Stakeholder analysis is a means to aid decision making by identifying and categorising stakeholders (Burgoyne, 1995). Simmons (2004) suggests that involving stakeholders and their views in decision making enhances organisational performance and reputation. Pettijohn et al. (2001) also claim that it is clear from their research that the organisation's reputation can be improved if perceptions are raised across all levels of stakeholders - whether directly or indirectly involved with the service processes. Mascarenhas (1996) comments that the type and quality of information of each stakeholder group should be varied, as the 'one size fits all' approach is unlikely to succeed. Schilling (2000) argues that management of stakeholder interests and customer perceptions can be gauged by implementing an integrated approach, as it is critical to instil confidence within consultation processes, to allow stakeholders to participate in decision making. Although it will also be crucial to evaluate the requirements of each stakeholder tier, and filter information appropriately. However, a stakeholder accountability approach to improving performance may fail, by being too slow in responding to the changing demands of stakeholders. It is therefore important to identify the type of stakeholder first.

Stakeholder analysis is critical when compiling a communication strategy as a tool within the performance measurement framework for promoting an open dialogue to customers. It is the ultimate aim to identify perceived current issues such as public/private partnerships and local area agreements within a communication strategy, in order to discuss and agree appropriate communications methods and frequency. This must also take into account internal customers, to ensure that commitment and effort is maintained within performance measurement (Wisniewski & Stewart, 2004).

The Value Chain

Johnson et al. (2005) comment on the importance of an organisation being clear as to what activities it ought to undertake itself. However, Lawton & Rose (1994) argue that within the public sector there is often an inconsistency between managers' perceptions. They will need to understand the whole performance measurement process and how they can channel and manage the linkages of customer relationships through input, output and outcome of the value chain, in order to improve perceptions of customer value and identify any gaps. Kouzmin et al. (1999) report that an organisation's performance measurement value chain has changed its value from public service management to consumerist orientation and in this context performance is based on the 'new public management' paradigm. However, variations in measurement of service performance can have a major impact on customer satisfaction and the gaps must be examined (Wilson, 1998).

Gap Analysis

Parasuraman et al. (1985) recommend the use of the gap model in order to carry out a gap analysis to identify the perceived quality, the gap between customer expectations and perceptions, and restraining forces of measuring service performance. The gap model for perceived quality is governed by the magnitude and direction of the gap between

customers' expectations and their perception of the product or service. Naumann & Giel (1995) also recognise the need to evaluate the internal perceptions and extend this further by recommending the use of a customer satisfaction model that encompasses five key levels of analysis, from the external customer environment to the internal processes; business performance, overall customer satisfaction, summary characteristics, specific attributes and critical activities. This will provide a useful tool for addressing a holistic overview in the context of the study, in addition to utilising Parasuraman's gap analysis within the conceptual model.

It is essential to consider that expectations have a central role in influencing perceptions and satisfaction within services and these in turn are determined by a wide range of attributes that are relevant within the service. Proctor (1996) proposes that in order to explore a different orientation of strengths and weaknesses in performance measurement and customer satisfaction the following areas should be considered:

- Areas of explicit service communication
- Views about the service
- Word of mouth communication
- Values/beliefs

Justification for the Framework Model

There is a pressing need for practitioners to adopt a viable analytical measuring tool in order to optimise resources for measuring customer satisfaction in the public sector. A number of drivers have contributed to the formulation of the conceptual model. The gaps have been revealed through various customer satisfaction and performance management research media. In order to identify the gaps, predominantly qualitative data has been collected from a number of surveys and internal focus groups, using thematic techniques to ascertain perceptions (Hill et al, 1999). Additionally recent government directives including CPA criteria, benchmarking and analysis of comparability with other like to like organisations have also been considered. Performance measurement and customer satisfaction is an established concept (Page & Prescott, 2005) that has taken on renewed importance in a variety of organisations, who also identify with a non-customer focused culture for service delivery and performance (Camarata, 2000).

There is a statutory obligation for public services to demonstrate accountability and show greater emphasis of improvement of partnership working and a need to demonstrate value for money in accordance with Gershon efficiency savings. Although there is modest support within organisations to consider customer satisfaction as a key attribute to be measured (Author et al, forthcoming). It is therefore paramount that public services play a significant part in the approach a council takes to deal with its customers.

Developing the Conceptual Model

Within the framework presented in this model, it is essential to consider how to design changes to improve new and existing services for the benefit of the public (Speller &

Ghobadian, 1993). It is therefore appropriate that the gaps between performance measurement and the actual perception level of customer satisfaction will need to be examined. It is critical for both accountability of organisations and individuals and for managers to produce better services (Flynn, 1996). The academic research and literature review presented here assists with the analysis of performance measurement and customer satisfaction factors. In this instance the conceptual model identifies the gaps that influence how a public service should review its processes. Identified gaps as illustrated in the conceptual model of enquiry will ultimately assist with identification of the gaps between performance measurement and customer satisfaction.

Conceptual Model Gap One: Expected Service - Management Perceptions of Customer Expectations.

Managers may not really comprehend what their priorities are for understanding perceptions of customer expectations. Parasuraman et al. (1990) state that there is sometimes a lack of knowledge from management as to what customer expectations are, due to an existence of too many levels of managers and those who are on the top level do not have any experience of dealing directly with customer issues. In addition, the orientation of operations often diverts the focus of customer requirements and reduces the efforts to understand their needs and expectations (Flynn & Talbot, 1996).

Plunkett et al. (2002) state that managers' perceptions of customers can be defined within two categories: internal customers (employees and colleagues who may need some information and whose requests may not be met), and external customers - where generally the focus lies. Consequently, internal customers' ability to perform may be less effective than expected. Johnson et al. (2005) add to this debate by commenting that it is not sufficient to look at the organisations internal position alone. In this context, Smith (2005) outlines five factors that will be critical to address in order to externally improve customer expectations:

- Ensure that there is an accessible customer communication strategy available to external customers
- Basic elements of service delivery
- The existence of basic support services, such as customer assistance and tracking of enquiries
- A consistent process for dealing with complaints and providing satisfactory solutions to 'bad' customer experiences
- Provision of a memorable service that exceeds customer expectations and provides value to customers

Management perceptions of what customers actually want can be misunderstood through inconsistent interpretation within layers of managers who are resource driven and operate within the constraints of the principles of equity and public accountability for service delivery (Page & Prescott, 2005). It is critical for managers of all levels to understand the linkage of customer expectation through input, output and outcome of the customer value chain. Porter (1988) suggests this is achieved by increasing knowledge

understanding and ensuring that there is a consistent communication flow of interaction between managers, internal customers, and external customers. In order to close the gap, it is necessary to create a positive experience for all customers as the service must be able to capture and understand its client's articulation of the problem through knowledge and understanding and by responding in a consistent, scalable and cost effective manner (Lawton & Rose, 1994).

Conceptual Model Gap Two: Management Perceptions of Customer Expectations - Service Performance Measurement Processes.

Performance measurement processes within a service plan can be used as a means to measure customer satisfaction, although this can engender a gap between management perceptions of what the service should focus on and what is actually happening. However, people may not understand what the service plan is or how their individual performance relates to it. Managers must be willing to develop alliances that require the exchange of performance measurement information with staff as this will engender trust and a wider knowledge base of the meaning behind these processes (Johnson et al., 2005). This is consistent with comments from Page et al. (2000) who state that results from performance measurement indicate what happened, but do not address why it happened and what to do about resolving it. Feurer & Chaharbaghi (1995) emphasise the need to make the transition from generating organisational performance measurement data into information that will eventually become knowledge. Recommendations by Heskett et al. (1994) suggest that the internal performance chain should be of the right quality and equipped to deliver activities across the whole service on a consistent level, that in turn are measured through the performance management framework.

Reliance may be placed upon an internal 'research and intelligence' unit to provide customer satisfaction survey data. The limitations of these surveys are that they are only executed every three years based predominantly on quantitative data that could be subjected to internal bias (Nicholls et al., 1998). Quite often public sector services will carry out internal customer satisfaction surveys as a piecemeal approach to address the levels of internal performance. This does not necessarily reflect accurate levels of customer (dis)satisfaction or elicit a detailed understanding of why customers are not happy with service provision. Wilson (2002) supports this by stating that the measurement of customer satisfaction will also be influenced by variations in the frequency and scale used to collect data as well as the collection methods.

Many organisations who conduct customer satisfaction surveys perpetuate this problem by failing to take account of what is important to customers from their point of view, without being fed a selection of prescribed alternatives (Hill & Alexander, 2000). This is taken a step further by Gurau & Ranchod (2002) who recommend that in order to capture the feelings of customers and measure the level of satisfaction it will be important to develop a customer satisfaction index that will facilitate a consistent approach that enables regular monitoring of data and predictability of outcomes.

Conceptual Model Gap Three: Alignment of CRM Vision and Strategy through Streamlined Technology – Service Delivery (including previous and post)

It is essential for an organisation to convey the appropriate images to customers by developing user friendly processes which are articulated through the vision statement. This is supported by Doherty & Horne (2002) who confirm that organisations should implement long term strategic visions within their vision statement. Managers will need to realise that customer expectations are of great value and this should be emphasised within the vision statement as it is the flagship image of this service.

The measurement of customer satisfaction is a significant field in its own right and is strongly linked to the rigorous management of customer relationships (Ryals et al, 2000). Mulhern (1999) argues that customer relationships are not yet recognised as a necessity within public sector organisations and there is only a notional investment allocated for measuring customer satisfaction.

Ahmad & Schroeder (2002) warn that there is a danger with *all singing and dancing* systems, because quite often critical customer data is buried within departmental IT silos as a consequence of inadequate management resource. Similarly, Donavan & Samler (1994) assert that many companies make the mistake of measuring their performance first, without checking the alignment of what they will provide against what their customer expects.

There is a need to develop an integrated system for monitoring and aggregating measurement of delivery variables through data mining reports, to enable the potential for identifying customer complaints, and to provide a repository of knowledge attributes (Harte & Dale, 1995; Zairi, 2000). Rigby et al. (2002) note that customer relationship management (CRM) systems must aim to align customer strategy and business processes, in order to take a proactive stance on improving perceptions of performance.

Conceptual Model Gap Four: Service Delivery (including Previous and Post) - External Communications

Web sites are a popular form of external communication mechanism for service delivery. There is a danger with public service web sites that they may provide an uncoordinated volume of information and corporate jargon with confusing nested A-Z directories that do not promote a user friendly image and encompass customer value. Public services need to consider external communication of service delivery more sensitively as the popularity of citizen participation has increased the visibility of public sector practices and has put the monitoring of business processes in the spotlight.

Conceptual Model Gap Five: Expected Service and Perceived Service

If CRM touch points are to operate effectively there must be a system in place that joins front and back offices and provides an integration and sharing of information to enable

this gap to be closed, thereby enabling equity of treatment to customers (Johnson & Gustafsson, 2000).

Conceptual Model Gap Six: Internal Communications - Service Delivery.

The need to promote good internal communications in respect of building bridges with other council services is important. Nicholls et al. (1998) note that public sector organisations spend a lot of money on training, but fail to focus their training programme on customer service and service performance. Teas (1993) suggest that it is managerial attitudes that set the tone for staff - if the boss doesn't care too much about satisfying the customer, then staff will adopt the same attitude.

It is essential to unleash optimum implicit intellectual capital. Barlow & Jashapara (1998) note that implicit knowledge is the most valuable to an organisation. This is because personal knowledge (based on individual perceptions) projects an informal repository of intuition. Key personnel must, in this context, learn to share knowledge of customer issues amongst non-expert users in order to educate those who either do not have a direct interface with customers, or do not understand performance measurement processes; thereby giving them an insight into these areas of work.

Conceptual Model Gap Seven: Management Perceptions of Customer Expectations - Actual Perception Level of Customer Satisfaction

Fowler & Graves (1995) stress that managers need to understand the strategy and business plan of their organisation in order to meet customer expectations. Otherwise, this will cloud the image of a service and create a perception of poor performance. If the ultimate aim is to identify perceived current issues with customer satisfaction, managers will need to evaluate current methods of communication, by devising an appropriate strategy for service wide implementation.

The definition of customer expectations is largely expressed through assumptions (James, 1989). The three main stakeholders: users, providers and funders can often operate within a potential blame culture, but remain interdependent. This is exemplified by the management practices associated with public sector organisations who provide ammunition for both healthy collaboration or unhealthy conflict (Holman, 1999). This is demonstrated when various companies or contractors who are carrying out works on behalf of a service cause conflict between two necessary conditions (Goldratt, 1997). Greenwood et al. (2000) emphasise the critical need for local authorities to have good public accountability systems in place. It is important to encourage open, transparent and effective communication processes judged by the consideration of more intangible customer communication aspects of service delivery, as a more complex service is subjected to greater scrutiny.

Additionally, a service will be well advised to consider the different profiles of its customers and stakeholders by utilising a model - such as the one developed by Mitchell et al. (1997). This will assist in defining the power, legitimacy and urgency of those

stakeholders who are keen to engage. A stakeholder analysis and stakeholder matrix will assist with this process.

The Constructed Model

The model below illustrates how the factors previously identified & discussed above have been brought together, to build a framework to address the gaps between performance measurement & customer satisfaction.

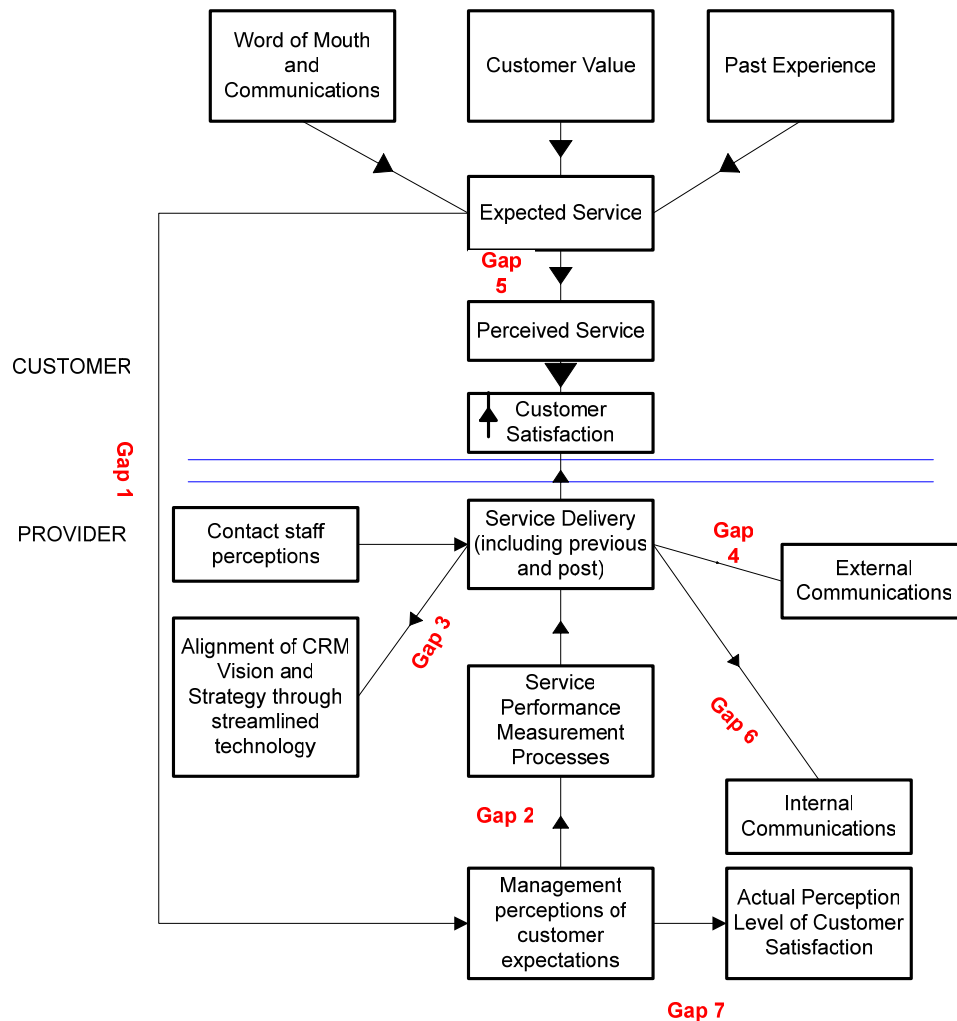


Figure 1: A Conceptual Model for Addressing the Gaps between Performance Measurement and Customer Satisfaction.

Conclusions

In this paper we have considered the growing importance of local government service organisations measuring customer satisfaction levels & service performance. We have

identified seven areas for concern (gaps) & have constructed a framework model that may be used to address & close these gaps. The actual implementation of this model & subsequent analysis of its effectiveness will form a future paper from this ongoing research project.

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